

MISSOURI BUDGET AND LEGISLATIVE AGENDA

Missouri is a Safe, Healthy Place to Live and Work

“My goal continues to be to protect the most vulnerable Missourians and provide a continued investment that ensures a safe and healthy Missouri.”

Governor Bob Holden

Governor Holden is committed to improving the health and safety of Missouri citizens. The Governor has repeatedly stated his commitment to protect those Missouri citizens who rely on vital government services and has taken significant action to make Missouri a safer place to live. Consistent with his accomplishments over the past three years, the Governor's Fiscal Year 2005 *Budget and Legislative Agenda* provides additional means to protect Missourians.

In his first three years, Governor Holden accomplished the following to improve the state's investment in improving the health of Missourians and making our communities a safe place to live and work:

Homeland Security

- Appointed the nation's first state Homeland Security Advisor. The Governor also created the Missouri Security Panel, composed of statewide elected officials, state government employees, local law enforcement, private citizens, and other relevant officials. The panel assessed the readiness of the state and its communities to deter, prevent, and appropriately respond to acts of terrorism in Missouri.
- Initiated homeland security legislation to implement recommendations of the Missouri Security Panel and enhance the safety of Missouri citizens. The bill prohibits and penalizes criminal hoaxes, prohibits agroterrorism, directs the State Emergency Management Agency to activate volunteers during a broader range of disasters, permits the Missouri State Water Patrol to close dangerous waterways, outlaws hazardous materials in or near tunnels, and strengthens laws against assisting terrorists. Senate Bill 712 was signed into law July 1, 2002.

- Signed six executive orders in 2003 to increase Missouri's homeland security preparedness and establish a better system of radio connectivity between public safety and the emergency response community.

Public Safety

- Supported legislation to strengthen the state's driving while intoxicated laws. The legal limit for blood alcohol content was lowered to .08 and stronger penalties were established for repeat offenders. As a result, the diversion of \$8 million in federal highway funds was avoided, and Missouri will qualify for an estimated \$3 million in federal incentive funds. House Bill 302 was signed into law June 12, 2001.
- Supported legislation to prevent criminals with outstanding warrants for their arrest from being released from jail. Jake's Law, House Bill 144, was signed into law May 31, 2001. The bill is named in memory of Jake Robel who died tragically in February 2000.

- Recommended legislation to protect Missourians from sexual offenders by removing the statute of limitations for prosecution of forcible rape and forcible sodomy cases. House Bill 1037 and Senate Bill 650 were signed into law March 6, 2002.
- Signed crime-related legislation that prevents offenders convicted of certain sexual assault crimes from being released from prison during the appeals process. Senate Bill 969 was signed into law July 10, 2002.
- Signed legislation to crack down on so-called “club drugs” such as Ecstasy and GHB. GHB’s sedative effects have been associated with sexual assault. The measure also toughens the state’s laws dealing with methamphetamine. House Bill 471 was signed June 18, 2001.
- Added new crimes to the classification of dangerous felonies. Also, increased penalties for theft of any material used to manufacture methamphetamine. Senate Bill 5 was signed into law June 27, 2003.
- Supported legislation to sustain the most successful Substance Abuse Treatment Offenders Program (SATOP) in the country. SATOP is an education and treatment program for persons convicted of alcohol-related driving offenses. House Bill 600 was signed by the Governor July 1, 2003.
- Supported legislation to improve the current system of providing background screenings through the state’s Family Care Safety Registry. Senate Bill 184 was signed into law July 11, 2003. It will reduce duplicative efforts and increase the number of crimes screened, including sexual offenses.

Health Care

- Called for legislation to provide comprehensive protection for women’s health to improve the lives and life expectancies of women in Missouri. This important law provides women direct access to obstetricians and gynecologists, and grants them access to critical contraceptive coverage. It also requires

health plans to notify all enrollees about cancer screenings offered as benefits and expands Medicaid coverage to low-income women diagnosed with breast and cervical cancer. House Bill 762 was signed into law June 21, 2001.

- Recommended legislation to ensure continued access to health care for Missouri children. The successful State Children’s Health Insurance Program (SCHIP) offers health insurance coverage to uninsured children at a cost to the state of about \$300 per year per child. Results show that children in SCHIP have better school attendance and less emergency room visits. The General Assembly originally enacted legislation to expand health care coverage through SCHIP in 1998; however, the program was time limited. Governor Holden called on the General Assembly to continue this program that provides vital health care for Missouri’s children. House Bill 1926 was signed into law June 5, 2002.
- Supported legislation requiring health insurers to promptly pay claims to physicians and other providers. House Bills 328 was signed into law July 6, 2001.
- Supported legislation aimed at addressing the waiting list for services provided by the Department of Mental Health. The legislation develops a plan to address the increasing numbers of families who give up custody of their children just so they can receive critical mental health services. Senate Bill 266 was signed into law July 1, 2003.
- Supported legislation to curb underage smoking by making it illegal for minors to possess tobacco products. House Bill 381 was signed into law July 13, 2001.

Protection of Women and Children

- Created a Domestic Violence Task Force by executive order to conduct an inventory of state funding for domestic violence programs, enhance public and private resources, investigate opportunities to expand prevention and intervention services, and develop a statewide action plan. The Governor signed into law House Bill 1814 in 2002, which implements

recommendations made by the task force. The bill removes obstacles to obtaining and enforcing protection orders for victims of domestic violence or stalking, makes it easier for victims to go to court without having to interact with their abuser, and simplifies the procedure for enforcing a protection order from another state.

- Proposed legislation to better coordinate state services to victims by establishing the Office of Victims of Crime. Senate Bill 267 was signed into law July 2, 2001 and provides a central point of contact for crime victims in Missouri.
- Created the crime of “child enticement” to combat the luring of children into dangerous circumstances by child abusers. Senate Bill 969 was signed into law July 10, 2002.
- Established the Missouri School Violence Hotline to protect the state’s school children. The hotline is a joint effort of the Departments of Public Safety, Social Services, and Elementary and Secondary Education. Students, parents, and school personnel are encouraged to report physical acts, threats, bullying, intimidation, fights, and weapons on school property.
- Created a statewide alert system, Alert Missouri, to notify media, law enforcement, and the public of child abductions. The plan is based on the AMBER Alert System, which is named after Amber Hagerman, a nine-year-old from Texas who was abducted and murdered in 1996.
- Recommended legislation to provide relief to seniors for the high costs of prescription drugs. The bill established the Missouri Senior Rx Program to provide benefits to low-income seniors. House Bill 3 and Senate Bill 4 were signed into law October 5, 2001.
- Signed legislation to reorganize the former Division of Aging and Department of Health to form a new Department of Health and Senior Services. The bill also established a State Board of Senior Services to advise the department about rules, regulations, and operations related to senior services. House Bill 603 was signed into law June 26, 2001.
- Established a website to help Missourians make informed choices about long-term care facilities. Missourians can go to **www.dhss.mo.state.us/showmelongtermcare** to learn about a facility’s latest inspection, including whether the facility had any violations and if they have been corrected.
- Proposed legislation to enhance regulation of long-term care insurance policies for seniors. Missouri’s law that governs the sale of long-term care insurance allowed insurers to price long-term care policies cheaply and then significantly increase rates as the insured person ages. This legislation requires insurers to price policies for the long run to avoid large rate hikes later. The Governor signed House Bill 1568 and Senate Bill 1009 in July 2002.

Seniors

- Proposed legislation to protect Missouri’s senior citizens residing in long-term care facilities and those receiving in-home services. Senate Bill 556 strengthens fines for serious law violations, toughens the state’s neglect statute to bar individuals with certain criminal histories from working in the long-term care industry, and rewards good nursing homes that consistently provide quality care. Senate Bill 556 was signed by the Governor June 16, 2003.

Improving Access to Health Care

Governor Holden believes basic health care should be available to all Missourians. Currently 88.4 percent of Missourians have health insurance. This number is down from 2001, but is higher than the 84.8 percent coverage rate for the nation as a whole. All states are currently grappling with the high cost of health care. Health care spending in the United States rose to \$1.3 trillion in 2000, a 6.9 percent increase over 1999. Access to preventive and basic health services save lives and tax dollars. Governor Holden's Fiscal Year 2005 *Budget and Legislative Agenda* includes proposals to expand access to vital health care services for women, the uninsured, low-income individuals, persons with disabilities, and senior citizens.

Comprehensive Health Services for Women

Missouri has made important progress in improving women's health care. Recent initiatives, supported by Governor Holden, require coverage for services such as mammography screenings for breast cancer, breast reconstruction following a mastectomy, cervical cancer screenings, and direct access to obstetricians and gynecologists. To continue Missouri's progress in expanding access to basic health care services, the Governor's Fiscal Year 2005 budget includes \$5 million for comprehensive health services for low-income individuals with unmet health needs such as screenings, education, treatment for chronic and infectious diseases, and reproductive health services.

Access to Contraception Services

Every tax dollar spent for contraceptive services saves an average of three dollars in Medicaid costs for pregnancy-related care and for medical care for newborns. In addition, these services prevent abortions. The Governor has fought to protect family planning and contraceptive services for Missouri women throughout his administration.

In its 1965 landmark ruling, the United States Supreme Court recognized a constitutional right to privacy in *Griswold vs. Connecticut*. The ruling recognized that married couples have the right to obtain and use contraception, free from unreasonable government intrusion. The case centered around a Connecticut law that forbade the use of contraception or assisting anyone seeking contraception. The Governor recommends explicitly codifying the right to contraception in statute to avoid future governmental intrusions into citizens' privacy.

2004 Legislative Initiative Contraception Rights

Women have a right to contraceptive services. To ensure this right, the Governor proposes legislation to guarantee the right to contraceptive services in state law.

Access to Health Care for High-Risk Missourians

Missouri currently has an insurance pool that covers over 2,400 high-risk residents. It is funded by a combination of premiums charged to those who are covered by the pool and assessments to health insurers for costs that exceed the premiums received. These assessments are subsequently taken as tax credits against the insurers' premium taxes owed to the state. Currently, the pool may charge premiums for policies offered to those covered in a range of 150 percent to 200 percent of the standard premium rate. The federal Health Insurance Portability and Accessibility Act of 1996 (HIPAA) guarantees individuals the right to purchase health

insurance if they lose their policies in the group market. Missouri is the only state in the nation that has not made the necessary statutory changes to allow state regulation of this right or to provide individuals with an alternative mechanism with which to accomplish this portability. Making Missouri's health insurance pool the alternative mechanism will allow individuals who lose their group coverage to receive coverage from the pool and waive any pre-existing condition exclusion. Coming into federal compliance enables displaced workers to qualify for premium payments under the Federal Trade Act of 2002. These changes are expected to provide coverage to an additional 6,500 Missourians.

2004 Legislative Initiative High-Risk Insurance Pool Improvements

In order to meet federal requirements and increase the number of Missourians who can benefit from the state's high-risk pool, the Governor recommends legislation to:

- Ensure price stability for premiums paid by high-risk individuals.
- Qualify Missouri's pool as a mechanism to deliver health benefits for purposes of the federal Health Coverage Tax Credit.
- Change the Missouri Health Insurance Pool's board membership to include the director of the Department of Insurance.
- Change the standard premium currently used by the board from 175 percent to 125 percent. Lowering the standard premium makes insurance more affordable for those seeking coverage from the pool.
- Allow insurers a deduction from the gross amount of premiums received prior to calculating premium taxes paid to the state.

Health Insurance Access for Small Businesses

The majority of working Missourians are employed in small businesses. Ninety-four percent of Missouri businesses have 50 or fewer employees. Most individuals who have health insurance are covered as a benefit by their employer. Small businesses, however, are finding it increasingly cost prohibitive to provide health insurance as a benefit for their employees. A small number of large claims within the group can adversely impact the premium charged for coverage. HIPAA guarantees that small employers of 2-50 individuals will be issued a policy, but provided no rating restrictions on that coverage. Missouri's current small group health insurance law provides guaranteed issue and rating restrictions for insurance sold only to employers of 3-25 employees. Groups of 2 employees and of 26-50 employees are currently not protected.

Health Care Access for Low-Income Seniors and Persons with Disabilities

Governor Holden supports continued health care coverage for Missouri's most vulnerable citizens. Missouri is working to strengthen health care coverage through various state programs that provide access to services.

The Governor's Fiscal Year 2005 budget recommendations include:

- \$21.1 million to expand Medicaid eligibility for the elderly and disabled from 90 percent of the federal poverty level to 100 percent of the federal poverty level. The eligibility expansion increases the number of individuals with access to needed health care. Approximately 20,000 elderly and persons with disabilities will be eligible to receive full Medicaid coverage. This completes expansion efforts that began with House Bill 3 which passed during the special legislative session of 2001.
- \$16.8 million for caseload growth in the Department of Mental Health's (DMH) Medicaid programs. DMH will serve approximately 140,000 Missourians and their families, either because they have very limited incomes and must rely on the state for services or because the services they need cannot be found elsewhere.
- \$8.8 million increase to provide early intervention services for developmentally delayed infants. This increase brings total state funding to \$21.6 million. This will provide services to 221 new developmentally delayed infants.
- \$8 million to increase the Personal Care Assistance Program for Medicaid-eligible Missourians, allowing individuals with disabilities to receive services in their homes rather than in a nursing home. This will provide services to an additional 1,500 disabled Missourians.

2004 Legislative Initiative Small Business Health Insurance

In order to protect small businesses from burdensome increases in their health insurance costs, the Governor recommends legislation that will:

- Expand Missouri's statutory definition of small groups to 2-50 employees. This will allow more small employers to benefit from rating restrictions currently applicable only to groups of 3-25 employees. This expansion will provide better rates for more small employers and increase the number of Missourians who are covered by health insurance.
- Give the state Department of Insurance authority to regulate small business insurance coverage.

Mental Health Parity

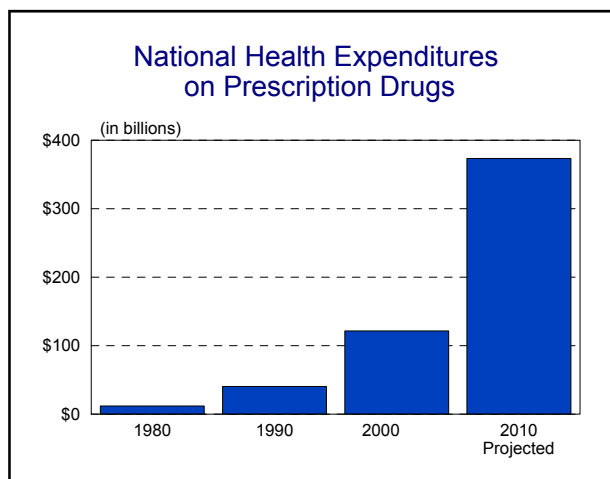
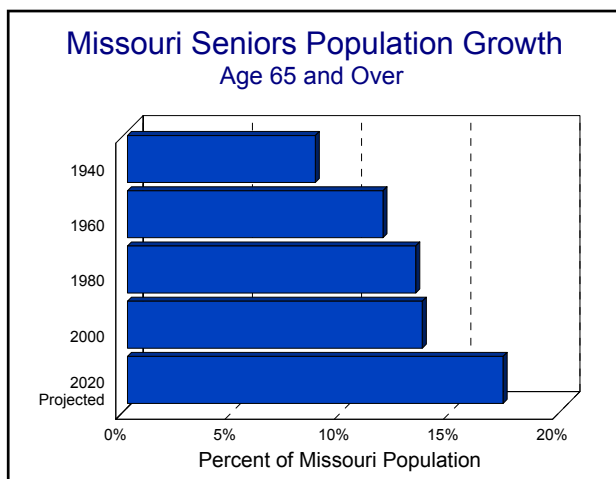
Approximately five percent of American adults have a serious mental illness. Medical research demonstrates that mental illnesses are biologically based and responsive to medical treatment. With treatment, many individuals can lead healthy, productive lives. However, despite the fact that treatment success rates for mental illnesses often exceed those of other chronic physical

illnesses, insurance coverage continues to be more limited. Coverage imposes greater out-of-pocket expenses on patients and their families, creating barriers to treatment and recovery. The United States Surgeon General reports that: “concerns about the cost of care – concerns made worse by the disparity in insurance coverage for mental disorders in contrast to other illnesses – are among the foremost reasons why people do not seek needed mental health care.”

2004 Legislative Initiative Achieving Parity for Mental Health Care Coverage

Under current law, there are several exceptions to the requirement that health insurers that cover services for mental illnesses provide the same coverage as they do for other physical illnesses. Governor Holden supports measures aimed at increasing “parity” in insurance coverage between mental and physical health. Governor Holden supports legislation that:

- Requires health carriers that offer health benefit plans in Missouri to provide coverage for mental health conditions.
- Provides coverage for both outpatient and inpatient services.
- Requires health carriers to comply with parity coverage by January 1, 2005.



Prescription Drug Relief for Missouri Seniors

For too long, the affordability of prescription drugs for Missouri seniors has been a serious concern. Separate insurance to cover prescription drugs is very costly and recent changes to the federal Medicare Program do not take effect until 2006. Many seniors must make difficult choices about which of their prescriptions to forego, possibly leading to serious health care consequences.

In 2001, the General Assembly failed to pass the Governor's prescription drug plan. The Governor called the General Assembly back for a special session to address this important issue. They passed a plan Governor Holden signed into law, creating the Missouri Senior Rx Program, to provide benefits to low-income seniors who need assistance. The legislation also established a commission to oversee the program which is chaired by Lt. Governor Joe Maxwell. The program began July 1, 2002, and is serving about 19,000 low-income seniors. Governor Holden supports this important program and continues to work to increase participation and expand the number of prescription drugs covered. The average annual income for current participants is only \$12,322. After qualifying seniors meet an

annual deductible, the Missouri Senior Rx Program will pay 60 percent of the cost of prescription medications up to a maximum of \$5,000 a year. The Governor's Fiscal Year 2005 budget recommendations include \$7.5 million for increased enrollment in the Missouri Senior Rx Program.

In December 2003, the President signed into law the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. It includes a prescription drug benefit to help seniors with the cost of their medications. Beginning in 2006, the benefit will cover 75 percent of costs up to \$2,250 in total drug costs. It will then pay 95 percent of costs for individuals with drug expenditures over \$5,100 annually. Unfortunately, the measure leaves a large group of seniors without coverage. There is no coverage for those with drug costs between \$2,250 and \$5,100 a year. This gap in coverage – dubbed the "doughnut hole" – requires seniors with prescription drug expenses in this range to continue paying a monthly premium without receiving any benefit. On January 8, 2004, Governor Holden and Lt. Governor Maxwell announced a plan to fill the gap in federal Medicare coverage through Missouri's existing Senior Rx Program.

2004 Legislative Initiative
Missouri Prescription Drug Coordination Act

Missouri should utilize its existing prescription drug program for seniors to obtain comprehensive coverage for senior prescription drugs and assist an additional 85,000 to 145,000 Missouri seniors who will be left out of the federal program. In order to fill the gap created by the new federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003, the Governor recommends:

- Providing seamless prescription drug coverage by dovetailing the Missouri Senior Rx Program with the new federal Medicare plan by covering the \$2,850 gap in prescription coverage left by the federal plan. The proposal will ensure that seniors not covered by the federal act will not be forced to cover the gap out of their own pocket.
- Expanding the Missouri Senior Rx Program to fill the gap with no additional cost to the state.
- Mandating all pharmacies that cover Medicaid participants to also cover Missouri Senior Rx Program participants. Drug manufacturers participating in Medicaid should also be required to participate in the Missouri Senior Rx Program.
- Removing the sunset clause on the current Missouri Senior Rx Program. The program is currently required to be reauthorized every four years. The reauthorization should be removed so the program can continue and fill the ongoing gap created by the federal Medicare Program.

PROTECTING MISSOURI'S MOST VULNERABLE CITIZENS

Every child in Missouri is entitled to a safe place to live. It is a right, not a privilege. Governor Holden is firmly and absolutely committed to protecting this right for all of our children. Last year, the Governor initiated an investigation in the wake of the tragic death of two-year-old Dominic James who was residing in a foster home in Willard, Missouri. The investigation's report found Greene County's child welfare system required immediate attention. The Governor proposes significant reform of Missouri's child welfare system.

Steps Taken to Address Missouri's Child Welfare System Problems

Governor Holden has moved swiftly in addressing problems that have been identified with the current child welfare system. To date, the Governor has:

- Conducted an investigation into the Greene County child welfare system. The Governor appointed Richard C. Dunn and Judge Frank Conley in September 2002 to lead this effort. Their investigation was completed in November 2002.
- Established the Office of Child Welfare Ombudsman within the Office of Administration as recommended by the *Report of the Investigation of the Child Welfare System in Greene County*. The ombudsman is responsible for independently promoting public awareness and understanding of the child welfare system; identifying system issues and responses for the Governor and the General Assembly to act upon; and monitoring compliance with state and federal law, rules, and policies pertaining to children's services. The ombudsman will submit an annual report, including recommendations, to the Governor and General Assembly by October 31 of each year. The Department of Social Services will allow the ombudsman to communicate with children in the state's custody, give access to all records and documents necessary in any investigation, and grant the office unrestricted access to the department's case management information system. The state's first child welfare ombudsman was hired in September 2003. The ombudsman is

acting independently on behalf of children, parents, and families to make certain the system provides them with help.

- Directed the Department of Social Services to implement other recommendations found in the *Report of the Investigation of the Child Welfare System in Greene County*.
- Protected funding for children in state custody from withholdings and budget cuts during Fiscal Years 2004 and 2005.
- Created a Children's Division in the Department of Social Services. Reorganization of the department will increase the focus on child protection and streamline all functions dealing with children's services.

Last year, the General Assembly passed House Bill 679 that addressed the state's child welfare system. After a thorough review of the bill, numerous problems were found that would have caused more harm to the system than good. Specific flaws included:

- Limiting subpoena powers to compel testimony from witnesses of abuse. This provision would have severely impaired the state's ability to protect children and bring perpetrators to justice. Without the ability to subpoena the testimony of victims, abusers could go free.
- Changing the standard of proof of abuse from probable cause to preponderance of evidence would have made it harder to legally protect children.

- Requiring all testimony by children to be recorded. Taping the questioning of children about the abuse they endured only adds to the trauma of their ordeal.
- Taking privatization mandates too far, too fast. Efforts to privatize can only be successful when providers are carefully chosen and effectively monitored. States that have gone in this direction have recommended a well-paced and cautious approach as the key to success. The bill required the state to privatize 50 percent of its case management services within three years. It is not clear whether this would even be possible for certain areas of the state even if the financial resources were available.

The Governor is committed to improving the state's programs to protect Missouri's abused and neglected children. From the public debate over the last year, many good ideas have emerged and are being implemented by the administration, including:

- Utilizing kinship care, when a child's safety is assured, as the preferred placement for children. Placement with a relative is less traumatic and more effective for children.
- Expediting permanency for children through more inclusive Family Support Team meetings. These meetings allow parents and helping professionals to work together to meet the best interests of the child. Additional training is being provided to staff to make these meetings more effective.
- Establishing hotline protocols to identify high-risk children. Dramatic improvements are being made to the Child Abuse and Neglect Hotline, enabling calls for help to be answered more quickly, classified more appropriately, and responded to more efficiently.
- Enhancing background checks on foster parents and emergency placements. Very early this year, background checks for foster parents and others serving children in state custody will be expanded to include fingerprinting and federal background checks for criminal history.

- Improving coordination between the Departments of Mental Health and Social Services to increase access to mental health services for children. These two departments are currently piloting a project in four counties to make it easier for economically disadvantaged families to obtain mental health services for their children. This spares them from the agony of relinquishing custody of their child so they can qualify for residential treatment and Medicaid services. The departments are working hard to expand successful protocols to the rest of the state.
- Establishing better lines of communication between the Department of Social Services, the public it serves, and its partners in the child safety network.
- Reviewing performance-based contracting options with other states and contractors in Missouri to develop appropriate standards. Contracting to achieve positive outcomes for children, in instances where doing so makes both financial and practical sense, is the goal.

State Accreditation

The Child Welfare League of America founded the Council on Accreditation (COA) in 1977. The COA is an international, independent accreditation organization that promotes standards for quality services provided to children and families. COA's accreditation process is designed to facilitate organizational improvement. Accreditation is viewed as a structured means of positive organizational change. Achieving the status of accreditation demonstrates that the entire organization has met the high standards of quality the COA has set. Governor Holden recommends the state work to achieve accreditation over the next five years. Toward that end, his Fiscal Year 2005 budget includes:

- \$9.3 million to begin the process of gaining national COA accreditation for the Children's Division. Children facing abuse or neglect deserve to have a trained and dedicated child welfare team intervene on their behalf. Building a quality system requires the proper training for child welfare

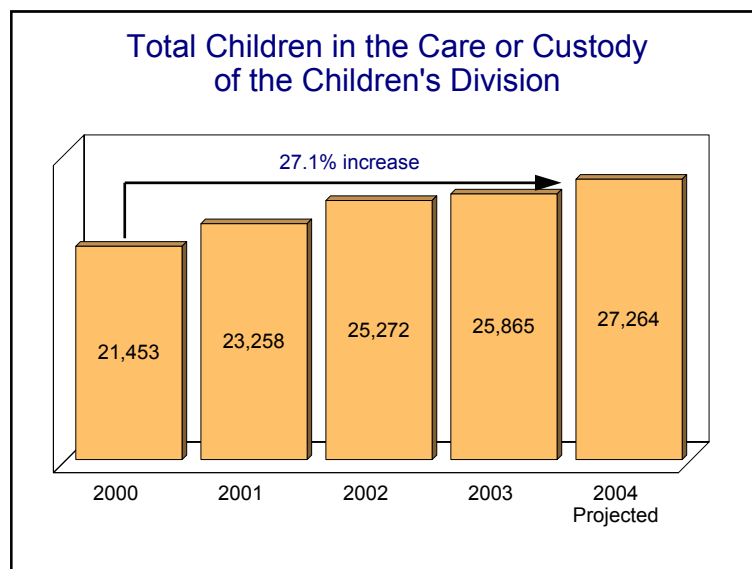
workers and assigning an appropriate number of staff to accomplish the demanding job of protecting every child in the state's care.

- \$1.1 million to provide fingerprint checks against the Missouri State Highway Patrol and the National FBI databases for all those who provide care for children in state custody.

The Governor is committed to working with the General Assembly this year to draft a foster care bill that will create a better child welfare system without jeopardizing the safety of any child. The Governor recommends a bill that codifies efforts already put in place by the Department of Social Services and implements additional protections, including:

- Strengthening the ombudsman program by placing it permanently in the Office of Administration and outlining its duties and authority.
- Requiring foster parents, kinship providers, and anyone over 18 in the home to be screened for possible criminal records.
- Codifying the work between the Departments of Mental Health and Social Services to expand the ability to coordinate services that get children with mental health issues the help they need without forcing parents to relinquish parental rights.

- Encouraging kinship care arrangements, where possible, to keep children with family members and lessen the trauma associated with being removed from their homes.
- Providing timely court hearings for the children placed in foster care and specific time frames for adjudication and dispositional hearings.
- Requiring the Department of Social Services to annually report to the Governor and General Assembly the number of children in the state who are abused and neglected and account for where all children are currently placed.
- Mandating the Department of Social Services to explore best practices and begin implementation of reasonable privatization efforts.
- Obtaining national accreditation of Missouri's child welfare system within five years.
- Providing adequate training and technology to department staff to ensure their mission can be carried out effectively.



Promoting Self-Sufficient Individuals and Families

While providing a safety net for Missouri's citizens who are in temporary need of financial assistance, the Department of Social Services administers programs that can help individuals reach self-sufficiency. The services provided prepare individuals to enter the job market and overcome barriers that prevent them from retaining employment. The Governor's Fiscal Year 2005 budget recommendations include:

- \$5.9 million to provide a cash benefit of \$45 per month to each recipient of the General Relief Program. This benefit can help individuals make co-payments on medication or subsidized rental payments. This is the only cash benefit program available to disabled individuals waiting for a social security disability determination.

In addition, Missouri received two Temporary Assistance for Needy Families (TANF) bonuses from the federal government as a result of high performance in a variety of program categories during Fiscal Years 2001 and 2002. These one-time bonuses will be invested in programs and technology to help recipients achieve self-sufficiency and move Missourians from welfare to work. The Governor recommends the one-time funding be used as follows:

- \$6.5 million for the anticipated caseload growth in the TANF Program.
- \$6.8 million for communication equipment to increase the accuracy and timeliness of application processing for all income maintenance programs.
- \$2.5 million for the Department of Economic Development to help establish a career ladder for TANF recipients moving from welfare to work. Many working parents remain below the poverty level at entry-level jobs. This program will work with employers to help move TANF recipients out of poverty.
- \$1 million to help ensure childcare is available for the children of TANF recipients moving from welfare to work.
- \$4 million for the Department of Economic Development to provide training for TANF recipients as they prepare to enter employment.

PROTECTING MISSOURI CONSUMERS

Missouri consumers have a right to be treated fairly by the companies with which they do business. All Missourians should have equal access to reasonably priced goods and services and should be able to trust the companies they deal with to keep confidential information private. The state works with Missouri consumers every day to ensure these rights are protected. The state does this by investigating and taking action on consumer complaints, offering educational seminars and materials so consumers can make informed decisions, and providing direct assistance when needed. Unfortunately, there will always be some businesses that take advantage of Missouri consumers. In 2002 alone, the Missouri Department of Insurance received over 5,600 consumer complaints and the Missouri Attorney General's Office received thousands of additional complaints. To limit these instances of unfair business practices, the Governor recommends a comprehensive legislative package to protect consumers from credit scoring, loss of their homeowner's insurance following a natural disaster, redlining, payday loan rates, and dangerous lead abatement contractors.

Credit Scoring

The use of credit history as an underwriting tool reportedly began with a study that presumed a correlation between insurance losses and credit scores. Insurance companies establish a premium cost based upon the economic profile and financial stability of the applicant. The use of credit scoring in determining whether to write a policy, and at what price to write the policy, has the potential to adversely impact large segments of our society including farmers, seniors, and minorities. This unfair practice of "credit scoring" leaves thousands of Missourians without insurance coverage and financially vulnerable or with very costly coverage as their only option.

Homeowners' Insurance

Over the past two years, Missourians have been subjected to hailstorms, ice storms, and tornadoes. Many individuals who made claims against their insurance were subjected to further distress when their homeowner's insurance was subsequently not renewed. Further exacerbating the problem, the state's market of last resort cannot provide coverage for many of these individuals because of antiquated limits on the amounts and type of coverage it offers. The Department of Insurance investigated over 400 complaints of this nature in 2002 and 2003. An individual's home is generally their largest lifetime investment. Missourians deserve to be able to protect themselves from the loss of their assets.

Redlining

Insurance is essential to the revitalization of our cities. Without it, banks and other financial institutions will not and cannot make loans. Damaged houses cannot be repaired. New businesses cannot expand and buildings are left to deteriorate. Whether or not discrimination is intentional, traditional practices of the insurance industry adversely affect low-income and minority neighborhoods; thereby, undermining the economic development of our urban communities.

Payday Loans

The title loan, or payday loan, industry is operating under limited regulations in Missouri. As a result, borrowers must pay fees up to 75 percent every time they renew a loan. For example, a \$1,000 loan may end up costing a borrower \$1,750. These practices are financially devastating Missourians across the state. This fast-growing industry should not be allowed to prey on low-income Missourians and those living paycheck to paycheck.

Lead Abatement Contractor Fines

The Department of Health and Senior Services oversees programs related to lead poisoning. The department has had several reported cases of contractors creating significant hazards in homes from which they were removing lead. Homeowners are left not able to return to their homes or with losses of furniture and personal items because of lead contamination by the contractors.

2004 Legislative Initiative Consumer Protection

The Governor seeks several consumer protection initiatives this session to limit credit scoring, protect homeowners' insurance policyholders seeking weather-related claims, prevent insurance redlining, stop payday loan operators from financially devastating borrowers, and penalize lead abatement contractors who create hazards in homes in which they are working. The Governor calls on the General Assembly to:

- Limit the use of credit scoring in determining rates for auto and homeowner's insurance. Current law only limits the use of credit scoring in underwriting.
- Protect consumers of homeowner's insurance policies from being cancelled or not renewed due to weather-related claims or mere inquiries as to whether a loss is covered.
- Ensure that owners of well-maintained properties can purchase good quality insurance at a reasonable price, regardless of the property's geographic location, value, or age.
- Prohibit renewals of payday loans to end the ongoing cycle of debt now allowed under current law. In addition, the proposal will dramatically decrease the cap on charges to consumers from 75 percent to approximately 3 percent per month. Finally, the Attorney General will be given the power to issue and enforce cease and desist orders to stop violators from continuing predatory lending practices.
- Allow the Department of Health and Senior Services to levy fines and take administrative action against a lead abatement contractor's license for violating state statutes and regulations.

KEEPING MISSOURIANS SAFE IN THEIR COMMUNITIES

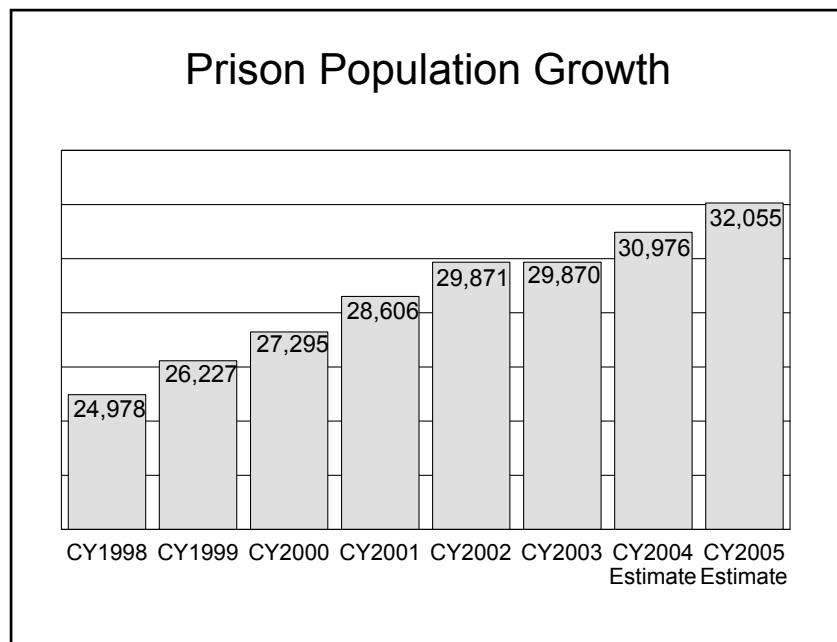
Governor Holden believes state government has an obligation to assist its citizens to live safely in their communities. The Governor's agenda for Fiscal Year 2005 includes initiatives to keep prisoners behind bars, strengthen criminal penalties, provide additional tools to law enforcement, and support Missouri veterans.

Protection from Dangerous and Violent Criminals

Missouri law contains some of the toughest anti-crime provisions in the country. As a result, Missouri now requires dangerous, violent criminals to serve longer sentences than ever before. These "get tough" provisions have resulted in safer Missouri communities and a rapidly expanding prison population. During the last five years, that included two consecutive years of declining revenue, Missouri's inmate population ballooned by more than 22 percent. Missouri state government must continue to meet its obligations to its citizens while living within its means. The department will actively

participate in the implementation of Senate Bill 5 (2003), which promotes the use of community supervision for non-violent offenders who are unlikely to re-offend. Even so, Missouri's prison population is expected to grow from 30,320 in Fiscal Year 2004 to 32,844 in Fiscal Year 2005. To address Missouri's increasing prison population, the Governor's Fiscal Year 2005 budget includes:

- \$3.5 million for offender medical expenses.
- \$2.5 million for offender medical contract costs.
- \$1.2 million for fuel and utilities costs.



Outdated Prison Facilities

The oldest prison west of the Mississippi, the Missouri State Penitentiary, will be closed in Fiscal Year 2005. The sprawling facility had become too costly to operate and has been replaced with a new Jefferson City Correctional Center. With continued budget pressures, it has become necessary to close another inefficient prison. The Chillicothe Correctional Center will be closed and its 525 women offenders will be moved to space in the Tipton Correctional Center. The Chillicothe facility was opened in 1895 as a juvenile detention facility. An assortment of buildings were added through the early 1900s. In 1981, the facility was converted to a correctional center for women offenders. Now, there are looming repair and renovation costs of \$9.7 million. In addition, savings from operating costs in Fiscal Year 2005 will total \$1.7 million, with additional savings in Fiscal Year 2006 of \$1.2 million.

Public Safety Enhancements

The state helps ensure public safety through prevention and treatment of substance abuse, treatment of persons whose mental disabilities make them dangerous to themselves or others, and custody of individuals judged to be sexually violent predators. Governor Holden's Fiscal Year 2005 budget recommendations include:

- \$4.9 million to develop an integrated community-based system of care for children with severe behavioral disorders.
- \$1.2 million to expand the treatment program for sexually violent predators at the Southeast Missouri Mental Health Center. This additional 17-bed ward will provide treatment and housing for those individuals adjudicated by the courts as sexually violent predators. It is projected that the Missouri Sexual Offender Treatment Center will be at full capacity by July 2004.

- \$892,296 to develop a standardized screening and assessment for Missourians with both substance related and mental health disorders.
- \$289,706 to develop evidence-based strategies to reduce underage drinking across the State of Missouri.

Strengthening Criminal Penalties

The Governor's Budget and Legislative Agenda also includes a comprehensive crime package to address the emerging issues of identity theft, sexual offenses against children, home improvement fraud, and cross burning.

Identity Theft

The 1990s spawned a new variety of criminals called identity thieves. Identity theft is a serious and growing crime. People whose identities have been stolen can spend years, and much of their hard-earned money, cleaning up the mess criminals have made of their good name and credit record. Some victims have lost job opportunities, been refused loans, or arrested for crimes they did not commit. Recent surveys found that over 27 million Americans have been identity theft victims in the past five years; almost ten million individuals were victimized in the past year; the average victim spent 600 hours recovering from this crime; and the loss to victims and businesses last year totaled nearly \$5 billion and \$50 billion, respectively.

Sexual Offenses Against Children

It may take victims who have been sexually abused as a child years to come to terms with the emotional scars and come forward to report the abuse. Currently, if it takes more than ten years to come forward, the perpetrator cannot be prosecuted. There are many instances where those who prey on children could be brought to justice; however, time has just run out.

Home Improvement Fraud

U.S. consumers spend more than \$100 billion annually on home improvement projects. Unfortunately, many consumers are victimized by unscrupulous or fraudulent contractors. Home improvement fraud is one of the most frequent consumer complaints. Low-income homeowners and the elderly are disproportionately victimized. Examples of fraud include use of inferior materials, faulty repairs, payment for jobs never completed, or a loan scam where contractors obtain mortgages or give home equity loans with alarmingly high interest rates.

Cross Burning

Historically, cross burning has been used to intimidate and harass racial minorities, religious groups, and other groups hated by the Ku Klux Klan or similar organizations. In April 2003, a United States Supreme Court decision held that burning a cross with the intent of intimidating another is not protected under the First Amendment of the United States Constitution. The decision was based on a case involving a Virginia statute, *Virginia v. Black*. Missouri currently lacks a comparable statute.

2004 Legislative Initiative Combating Crime

Governor Holden proposes changes to Missouri laws in an effort to combat crime and deter criminals from preying on Missouri citizens. The Governor's comprehensive proposal will help bring to justice those who abuse children, steal identities, defraud homeowners, or burn crosses in an attempt to intimidate others. Governor Holden calls on the General Assembly to:

- Expand the statute of limitations for prosecuting a crime for victims of a sexual offense under the age of 18. This will permit the prosecution of a perpetrator for up to 20 years after the victim reaches the age of 18.
- Strengthen existing Missouri law by expanding the definition of identity theft and clarifying specific uses of information that are fraudulent. This will protect information such as an individual's social security number, name, or credit card from being used to open accounts, change mailing addresses, take out a loan, file for bankruptcy, or transfer a victim's property. The penalty for identity theft is also strengthened by making most violations a Class C felony.
- Prohibit the use or possession of document-making equipment that produces false identification cards or documents used in identity theft scams.
- Create the Missouri Home Improvement Fraud Act. The act prohibits contractors from deceiving homeowners to enter into a home improvement contract or misrepresent facts relating to the terms of a contract. It also prohibits payment for improvements at an unreasonable price and payment schemes, such as mortgage agreements that pay the contractor more than the value of the work rendered. Finally, the act outlines standard criteria that must be contained in all home improvement contracts.
- Expand Missouri's Hate Crimes law to prohibit the burning of a cross with the intent to intimidate any individual or group. The proposal also outlines penalties for those who violate the law.

Bail Bond Agent Regulation

Missouri's bail bond law is out of date. The law was enacted twenty years ago and is not consistent with how the bail bond industry operates today. There have been abuses by bail bond agents relating to appropriation of money, the apprehension and surrender of bailees, and the lack of statutory authority over bounty hunters (surety recovery agents). In June 2002, a Kansas City man was killed by bounty hunters, who mistook him for another man.

Bail bond agents may do recovery work themselves or they may hire others to assist them. With no licensing or training requirements, recovery agents and bail bond agents are acting like police officers when they apprehend a bailee. Police officers are required to undergo extensive training related to apprehending suspects. Bail bond licensees should be required to attend minimum training in the areas of apprehension, civil liability, safety of innocent bystanders, surrendering bailees, constitutional law, and weapons use.

Additionally, bail bond agents have access to large amounts of money from consumers of bail services. There are no record keeping requirements under current law. The director of the Department of Insurance may refuse a bail bond license or discipline a bail bond licensee only if the applicant or licensee has a felony conviction. There are many licensees who have, or have subsequently received, misdemeanor convictions for assault, drug offenses, firearm violations, and other crimes. The state should have authority to protect citizens from potential harm by denying or revoking a bail bond or surety recovery agent license. To address this public safety issue, the Governor supports strengthening Missouri's bail bond law.

2004 Legislative Initiative Improving Regulation of the Bail Bond Industry

In order to protect Missourians and better regulate bail bond and surety recovery agents, Governor Holden recommends:

- Licensing surety recovery agents and requiring them and bail bond agents to have training in law enforcement techniques.
- Requiring extensive record keeping and review so consumers of bail services get what they bargain for and get the return of their collateral, when appropriate.
- Permitting the director of the Department of Insurance to refuse or discipline a licensee on the basis of a conviction or crime involving moral turpitude, even when the sentence is suspended.

Additional Crime Fighting Tools for Law Enforcement

While Missouri has made major strides in reducing crime, it remains a problem. Governor Holden is committed to making sure the state meets its fundamental obligation to protect citizens from criminals. The Governor's budget recommendations include the following to equip law enforcement agencies, assist crime victims, and promote public safety:

- \$2.6 million to upgrade Highway Patrol communication capabilities.
- \$2.6 million for Highway Patrol criminal justice data processing expenses.
- \$1.6 million to support and enhance crime lab and forensic science services.
- \$1.2 million to enhance the Highway Patrol's Automated Fingerprint Identification System, pursuant to Senate Bill 184 (2003), by developing and integrating a computer-searchable database of palm prints. Currently, the Highway Patrol can match known palm prints against unidentified crime scene palm prints through time-consuming expert examination. Automating the palm print matching process will both expedite and enhance criminal investigations.
- \$639,000 for a crime victims notification system, pursuant to Senate Bill 267 (2001). This centralized system disseminates offender status information to crime victims.
- \$624,154 to establish, pursuant to Senate Bill 184 (2003), an Internet-accessible statewide sex offender registry with a variety of search capabilities. Currently, means of access to offender registries vary from county to county. The statewide registry will both simplify and enhance public access to offender information.
- \$504,330 to improve the state court system that tracks arrest warrants and orders of protection.

- \$658,890 to upgrade the State Emergency Operations Center to comply with new federal guidelines. These improvements will enhance the facility's physical security, and will allow closer coordination and communication between state and federal authorities in times of emergency.
- \$237,819 to deter underage alcohol consumption through a statewide keg registration system, pursuant to Senate Bill 298 (2003).

Missouri Protectors

Missourians have served with distinction in the armed forces of the United States, placing their lives at risk in order to preserve our freedom. Governor Holden recognizes the special debt owed to these guardians of liberty. To date, the Governor has:

- Provided funding to implement the state's World War II Medallion Program. The medals provide a way for Missouri to show its gratitude to its citizens who sacrificed so much to maintain freedom.
- Approved the enactment of the Korean Conflict Medallion Program to honor Missouri's veterans who served the nation during what has often been called "The Forgotten War." The Governor signed Senate Bill 219 on June 26, 2003, the 50th year of the Armistice.
- Awarded the state's first honorary high school diplomas to Missouri veterans who quit school to enter the military during World War II. The Governor signed Operation Recognition with his approval of House Bill 441 on July 12, 2001. Governor Holden later expanded the program to recognize civilian POWs. Honorably discharged veterans and eligible civilian POWs of World War I, World War II, and the Korean War may apply for an honorary diploma.
- Established a new statewide toll-free number to improve veterans' access to their benefits. The number is 1-866-VET-INFO.

- Appointed a Veterans' Benefits Awareness Task Force, led by Lt. Gov. Maxwell, to expand the number of eligible veterans receiving federal and state benefits and assist them in filing claims.
- Signed House Bill 2047 on July 3, 2002, to ensure tuition relief for all college students called to active duty, whether at home or abroad. (Prior law provided such relief only to federally activated reservists.) Students attending Missouri's public institutions of higher education who are called to active duty to support America's efforts in the Middle East or to provide emergency disaster relief to Missouri communities are eligible for tuition relief.
- Approved legislation to enhance resources for Missouri's veterans and National Guard members. House Bill 444 was signed into law on June 16, 2003, authorizing an additional \$3 million annually to maintain and improve the state's veterans' homes and cemeteries. The bill also provides a \$1 million increase for tuition assistance to Missouri Guard members and military honor funeral services for veterans.

The Fiscal Year 2005 budget includes additional resources to expand services provided by the Missouri Veterans' Commission and the National Guard, including:

- \$2 million for construction projects at the Cape Girardeau Veterans' Home.
- \$1.8 million to comply with federally prescribed veterans' home nursing care standards.
- \$1.1 million for increased pharmaceutical costs at veterans' homes.
- \$818,593 to administer the Korean Conflict Medallion Program pursuant to Senate Bill 219 (2003).
- \$365,044 for administration of National Guard federally funded construction projects.
- \$105,282 to coordinate ongoing benefits awareness efforts to minority veterans statewide.
- \$40,000 for completion of the new National Guard armory in Sedalia.

THE IMPACT OF STATE BUDGET CUTS

Deep cuts have already been made to the Missouri budget. Between Fiscal Years 2001 and 2004, about 2,000 positions have been permanently cut from the budget. State departments have worked to minimize the impact of reduced funding on services. However, the following examples demonstrate how recent cuts have negatively impacted the lives of Missourians:

Department of Health and Senior Services

State employees have been cut significantly, particularly general revenue funded staff. These cuts have resulted in reduced services for Missourians and increased workloads for remaining employees.

- The Department of Health and Senior Services has lost 16 percent of its general revenue staff.
- \$2.3 million and 45 staff from the Office of the Director and Division of Administration. This loss of staff has occurred even as more requests for information are being received and education is needed on anthrax and emerging infectious diseases.
- \$3.1 million and 22 staff from the Division of Environmental Health and Communicable Disease Prevention. These reductions occurred while new and increased demands are developing to address West Nile disease; Severe Acute Respiratory Syndrome (SARS); anthrax; and soil, water, and air contamination.
- \$2.9 million and almost 44 staff have been reduced from programs that serve pregnant women and children.
- \$3.6 million for women's primary health care services was eliminated by the General Assembly in Fiscal Year 2004. This program served over 30,000 low-income women throughout the state. For most of these women, the services provided were the only health care they received during the year. Consequences of not funding this program include undiagnosed venereal diseases and cancer, inadequate prenatal care, a quick

succession of births that compromise the woman's health, low-birth weight babies with complex short-term and long-term health problems, and higher infant mortality.

Department of Mental Health

- The Department of Mental Health has lost eight percent of its general revenue staff.
- \$10.3 million in reductions to psychiatric community programs for over 4,000 seriously mentally ill and emotionally disordered children and adults. Services reduced include outpatient treatment, residential treatment, case management, recovery support, and crisis intervention. This funding cut also reduced acute beds purchased through community providers.
- \$7.2 million in cuts to community programs for 2,000 persons with disabilities, resulting in reductions for day habilitation, respite care, transportation, and services to autistic clients.
- \$3.8 million in reductions to substance abuse treatment services, resulting in more than 1,300 clients no longer having access to residential and outpatient habilitation services and recovery treatment networks. These include services such as Oxford Houses and Comprehensive Substance Treatment and Rehabilitation (CSTAR) programs that serve pregnant women and women with children.

Department of Social Services

- The Department of Social Services has lost nine percent of its general revenue staff.
- A \$75 million cut to Medicaid eligibility in Fiscal Year 2003 resulted in approximately 34,300 Missourians losing health care. This cut means parents in families of three who earn more than \$11,760 per year no longer qualify for Medicaid. The cut also reduced women's health care services, transitional medical assistance for low-income families transitioning from welfare to work, and coverage for non-custodial parents who were current on their child

support payments or participating in the Parents' Fair Share Program. With the loss of access to preventative care, it is possible that many have ended up in emergency rooms and hospitals with more expensive health care needs.

- The Grandparents as Foster Parents Program was reduced by a total of \$10.3 million from Fiscal Years 2002 to 2004. Eligible participants had their reimbursement rate reduced from 75 percent to 25 percent of the foster care rate. This lowers the payment rate from \$202 to just \$68 per month for the 2,500 children served by the program. This has created a financial burden for grandparents who have accepted the responsibility of raising their grandchildren on a fixed income.
- \$648,792 for the CHOICES program, which assists foster care youth between the ages of 13 and 15 in becoming responsible adults, was eliminated. This program prepared approximately 1,020 youths annually for the Independent Living Program.
- Community Partnerships were cut by \$4.9 million in Fiscal Years 2002 to 2004, reducing services to more than 70,000 children and low-income families. The 21 Community Partnerships are local decision-making entities that work with state government to coordinate planning, development, and financing of services for children and families. They have been productive in using general revenue funding to leverage local and federal funds to address the social problems of their communities.
- \$2.2 million for cash assistance to legal immigrants was eliminated for about 350 families who cannot qualify for temporary assistance. Due to language and cultural barriers, these families are vulnerable to becoming homeless and living in poverty.
- The Juvenile Court Diversion Program was cut by \$1.6 million, reducing the services to 2,000 at-risk youth and 21,000 other youth across the state. Juvenile courts lost 29 percent of the funding received to help divert juveniles from state custody.

Department of Corrections

- 88 institutional staff positions were eliminated, including cooks, caseworkers, teachers, chaplains, and maintenance staff. These reductions put greater strains on the correctional officers who supervise the inmates as more of their efforts must be directed to covering the duties of the eliminated positions.
- 31 probation and parole staff were cut, reducing offender supervision resources.

Department of Public Safety

- The Department of Public Safety has lost 18 percent of its general revenue staff.
- The National Guard Show-Me Challenge Program was eliminated. The program assisted troubled youth in obtaining an education and job skills.
- Local government and school district partnership grants for school resource officers were eliminated.
- The Highway Patrol is no longer able to provide free DARE instructional materials to local schools and law enforcement agencies.
- Community Oriented Policing outreach and training programs offered through the Director's Office were eliminated.
- Operation Payback awards for tips leading to methamphetamine busts are no longer provided.
- The Multi-Jurisdictional Task Force Program to support state and local law enforcement collaboration was eliminated.
- Basic firefighter training, offered free of charge to volunteer firefighters, has been reduced by 39 percent.
- Regional Crime Lab Program grants were reduced by 43 percent. This money was used by regional crime labs to provide forensic services to criminal justice agencies throughout the state.